annual report *1996*

RICHMONT

Richmont Mines:

building the road

to become an

intermediate

gold producer.

corporate profile

Richmont Mines Inc. is a growing Canadian gold producer with operations in Quebec and Newfoundland. It has a proven record of operational and financial success, through acquiring and developing sound projects. Richmont's core asset, the Francoeur Mine, has been steadily replacing its ore reserves through exploration since beginning operations in 1991. The Francoeur Mine as well as the Beaufor Mine (18% Richmont) and other custom milling clients process their ore at Richmont's Camflo Mill. The Company's newest development, the Nugget Pond Mine, will make a substantial contribution to gold production, so that Richmont's annual gold output will double in 1997 to reach 80,000 ounces.

Richmont has been profitable since it began mining more than five years ago, and all the elements are in place to continue this profitability and growth into the future. The Company is actively searching for new projects in North and South America, pursuing its short-term goal of becoming an intermediate-size profitable gold producer.

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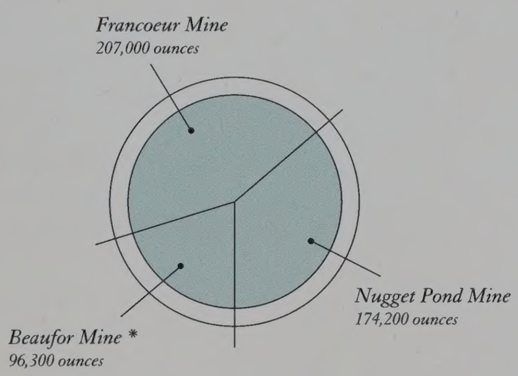
Cover
View of miners in a drift at the Francoeur Gold Mine.

highlights

- Five consecutive years of positive net earnings
- Exploration program increased proven and probable reserves at Francoeur Mine
- Maintained production levels at Francoeur Mine (30,100 ounces of gold) and Camflo Mill (323,000 tons of ore)
- Development and construction of Nugget Pond Mine completed
- Beaufor Mine produced 25,000 ounces of gold in its first year of commercial production

	1996	1995	1994
Results *(millions of Cdn$)*			
Total Revenues	**20.0**	20.2	20.6
Net Earnings	**2.9**	2.9	4.4
Earnings per Share	**0.20**	0.20	0.32
Financial Position *(millions of Cdn$)*			
Total Assets	**55.4**	38.3	36.4
Working Capital	**9.4**	13.0	14.4
Shareholders' Equity	**38.2**	32.7	30.5
Gold Reserves *(proven and probable)*	**477,500**	417,600	269,000

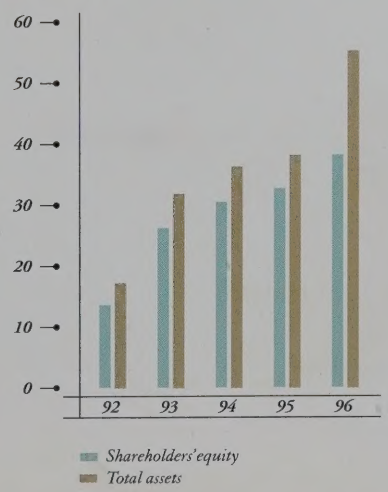
Total Gold Reserves



*Louvem's share

Shareholders' equity and total assets

(millions of dollars)



president's message

I am pleased to report on a successful year in which objectives were met and the foundations were laid for serious growth in 1997 and beyond.

March 6, 1997 – Richmont starts trading on AMEX. From left to right: Denis Arcand, Vice President, Jean-Guy Rivard, President and Jean-Yves Laliberté, Vice President, Finance.

Operating and financial success along with directing future growth, are the result of the teamwork of skilled professionals and personnel. Our people continue their enviable record of profitable gold production and efficient mine development.

Richmont has a remarkable record of five years of consistent earnings during which every quarter was profitable. Earnings for 1996 were $2,907,840 or $0.20 per share compared with $2,870,753 or $0.20 per share for 1995. For 1996, operating cash flow increased to $6,650,334 or $0.46 per share compared with $3,744,608 or $0.26 per share last year. For 1997, Richmont expects to generate earnings of $7,300,000 and cash flow of $15,600,000, or $0.50 and $1.06 per share, respectively.

All Richmont operations performed at their projected levels for 1996. Overall gold production to the Richmont group was 42,600 ounces, with 30,100 coming from the Francoeur Mine and 12,500 to Louvem Mines, representing its 50% share of the Beaufor operation. In addition to the Francoeur ore, Camflo milled 160,000 tons for different clients including Beaufor for a total of 323,000 tons in 1996. The Nugget Pond Mine was permitted and construction was 90% complete by year end, with commercial production scheduled to begin on April 1, 1997.

During 1996, the Francoeur Mine achieved the milestone of 200,000 ounces of gold poured. For the year, 163,000 tons were mined to produce 30,100 ounces for a recovered grade of 0.186 ounce of gold per ton. The workforce continues to achieve an excellent safety record, while mine management keeps firm control of dilution and operating costs. Cash costs for 1996 at Francoeur were US$277 per ounce. The Francoeur team has a consistent record of replacing reserves and extending the mine life. When Francoeur was placed in commercial production in 1991, reserves were 1,075,000 tons grading 0.190 ounce of gold per ton. These reserves have been mined out, but the current reserves of 1,062,000 tons at 0.195 ounce of gold per ton have replaced the initial reserves. Francoeur will continue to make a significant contribution to Richmont's gold output and earnings for many years to come.

The Nugget Pond Gold Mine, located at Baie Verte, Newfoundland, is our newest operation and is on track to double our gold output and more than double our earnings in 1997. This project will have taken less than two years from the exploration stage to commercial production.

The speed of development, with construction completed on time and on budget, are the result of the skills and dedication of our Nugget Pond Division. This mine is now on schedule to deliver 32,000 ounces of gold during nine months of operation in 1997, and 46,000 ounces per year thereafter at a cash cost of US$153 per ounce, thereby becoming one of North America's lowest cost gold mines. The exploration opportunities in the Nugget Pond Horizon are excellent and additional reserves have already been located outside the limits of the actual reserves. The start-up of this project further enhances Richmont's reputation as an efficient mine developer with the ability to meet production forecasts within time and budget constraints.

The Camflo Mill operated at 75% of its design capacity, and again achieved consistent high gold recoveries of 96.01%. The mill continues to fulfill environmental requirements, and enjoys a reputation of being a well maintained and efficient facility. Because it is available for custom milling, Camflo is an important contributor to the regional mining economy, and increases the possibility of new gold developments in the Abitibi region.

Louvem Mines Inc., 36% owned by Richmont, enjoyed a successful start-up of the Beaufor Gold Mine, and contributed $181,000 to Richmont's earnings in 1996.

We are proud of our strong record of careful acquisitions and growth without sacrificing profitability, or shareholder dilution. During 1996, this was evident in the Nugget Pond bank financing. A $12 million loan allowed us to construct the new mine while preserving our liquidity and capital structure. In addition, a gold and US dollar hedging program brings stability and predictability to our cash flow, and guarantees that we can easily pay back our debt. Our bank credit facility in addition to our $9.4 million working capital position will allow Richmont to respond quickly to new project opportunities.

Market capitalization increased by 50% in 1996 to reach $85 million. In an effort to expand the Company's visibility among potential investors, all filing with the Securities and Exchange Commission was completed for 20F registration; in the first quarter of 1997 Richmont shares were listed for trading on The American Stock Exchange.

On behalf of the Board of Directors, I extend my deepest thanks to Mr. Bernard Joyal and Mr. Pierre Corbeil, who served as Directors for 8 and 11 years, respectively. Richmont welcomes the Hon. Gilles Loiselle to the Board of Directors, his past experience will greatly benefit Richmont's future development.

I am very thankful for the excellent work of our people during 1996 and the resulting growth for 1997 and beyond. We have long aimed to become a profitable intermediate gold producer and with the operating and financial skills of our people, Richmont is well positioned to achieve this goal.

On behalf of the Board of Directors,

Jean-Guy Rivard
President
March 7, 1997

review of operations

Total Proven and Probable Reserves

As at December 31

	1996			1995			Increase	
	Tons	Grade	Ounces	Tons	Grade	Ounces	Ounces	%
Francoeur Mine	**1,062,000**	**0.195**	**207,000**	880,000	0.199	175,100	**31,900**	**18%**
Nugget Pond Mine	**488,000**	**0.357**	**174,200**	430,000	0.372	160,000	**14,200**	**9%**
Beaufor Mine *(Louvem's share)*	**423,400**	**0.227**	**96,300**	316,000	0.261	82,500	**13,800**	**17%**
Total	**1,973,400**	**0.242**	**477,500**	1,626,000	0.257	417,600	**59,900**	**14%**

Francoeur Mine

Owner	100% Richmont
Location	16 miles west of Rouyn-Noranda, Quebec
Type of mine	Underground
Start of commercial production	October 1991
Proven and probable reserves	207,000 ounces of gold
1996 production	30,100 ounces of gold
1997 projected production	32,000 ounces of gold
Current mine life	7 years

Nugget Pond Mine

Owner	100% Richmont
Location	Baie Verte Peninsula, Newfoundland
Type of mine	Underground
Start of commercial production	Scheduled April, 1997
Proven and probable reserves	174,200 ounces of gold
1997 projected production	32,000 ounces of gold
1998 projected production	46,000 ounces of gold
Current mine life	4 years
Mill capacity	350 tons per day
Type of process	Carbon-in-pulp (CIP)
Expected recovery	97%

Camflo Mill

Owner	100% Richmont
Year of construction	1969
Location	Malartic, Quebec
Mill capacity	1,350 tons per day
Type of process	Merrill-Crowe
1996 overall recovery	96.01%
1996 throughput	323,000 tons
1997 projected throughput	350,000 tons

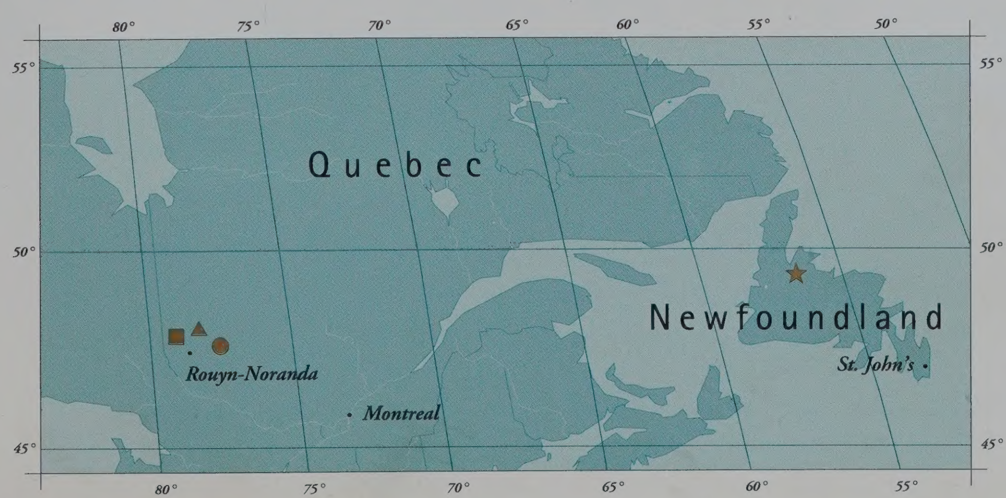
Beaufor Mine

Owners	50% Louvem* 50% Aurizon (operator)
Location	16 miles northeast of Val d'Or, Quebec
Type of mine	Underground
Start of commercial production	January 1996
Proven and probable reserves	192,600 ounces of gold
1996 production	25,000 ounces of gold
1997 projected production	35,000 ounces of gold
Current mine life	6 years

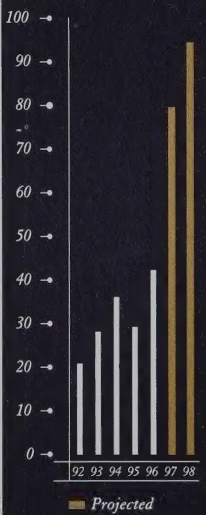
**Richmont has a 36% interest in Louvem*

location maps

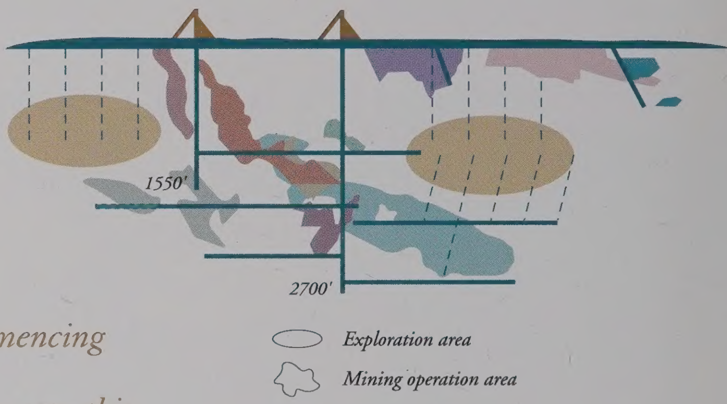
■ *Francoeur Mine* ▲ *Camflo Mill* ● *Beaufor Mine* ★ *Nugget Pond Mine*



Total gold production
(thousand ounces)



francoeur mine



The Company's core asset is the Francoeur Mine. Since commencing commercial production five years ago, this mine has contributed every year toward making Richmont a profitable gold producer.

The Francoeur Mine 16 miles west of Rouyn-Noranda, northwest Quebec.

This 890-acre property is situated along the Francoeur-Wasa Shear Zone, which is a splay of the well known Larder Lake-Cadillac Fault.

The mine achieved a significant milestone in 1996, pouring its 200,000th ounce of gold. By continuously improving grade control in narrow, shallowly dipping veins, ore production for the year totalled 163,000 tons at an average recovered grade of 0.184 ounce of gold per ton, for a total of 30,100 ounces of gold. These results are better than 1995's production of 169,500 tons of ore at an average recovered grade of 0.174 ounce of gold per ton totalling 29,471 ounces. The Francoeur Mine will produce close to 32,000 ounces of gold in 1997, which will demonstrate its capacity to feed Richmont with consistent production levels.

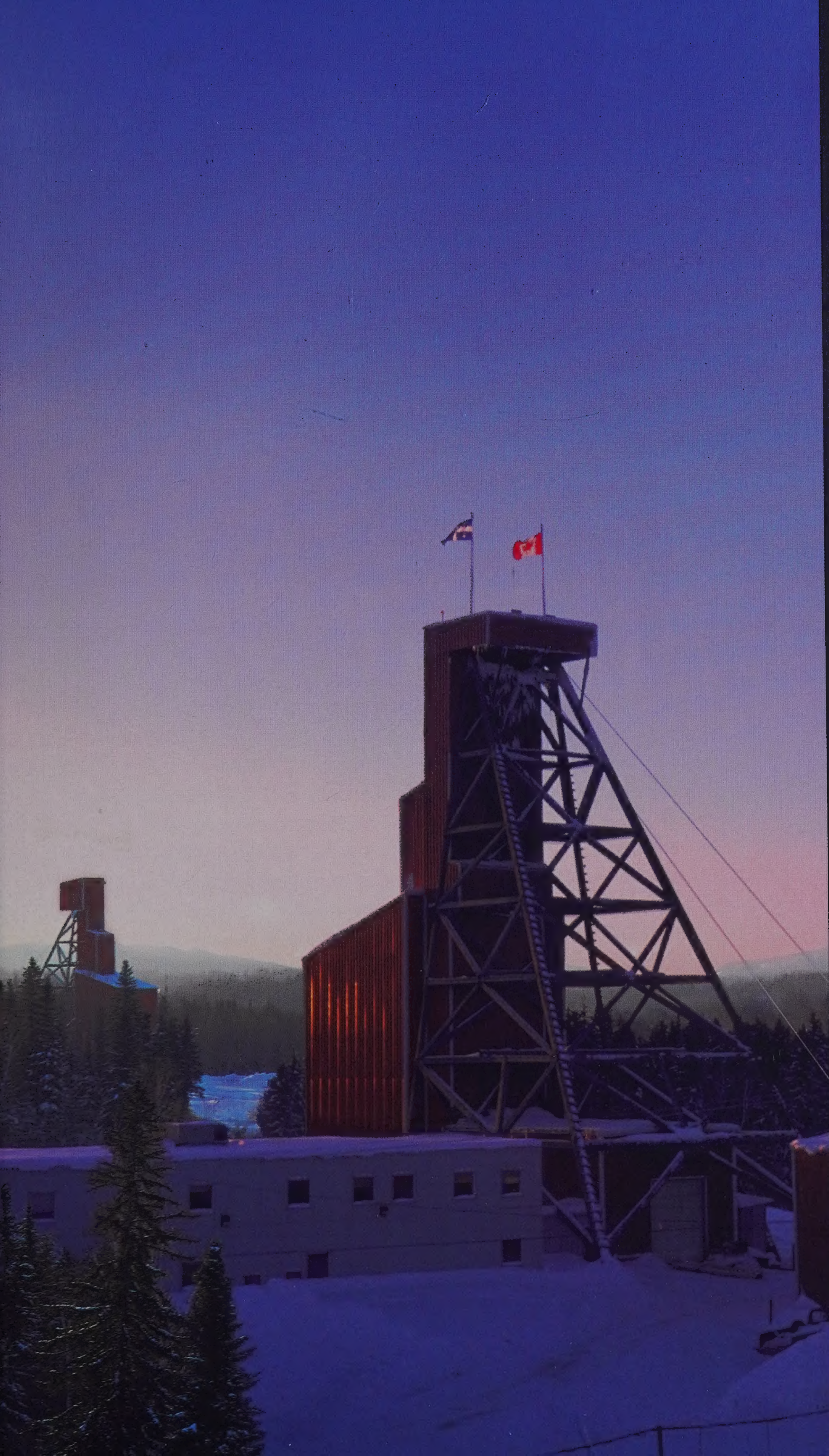
Exploration

The Francoeur Mine has had an excellent record of replacing ore reserves since it began commercial production in 1991. At that time, proven and probable reserves stood at 1,075,000 tons grading 0.190 ounce of gold per ton. After more than five years of production totalling 1,167,000 tons for a recovered grade of 0.181 ounce gold per ton, the current proven and probable reserves of 1,062,000 tons at 0.195 ounce of gold per ton, represent as much gold as did the reserves when the mine started.

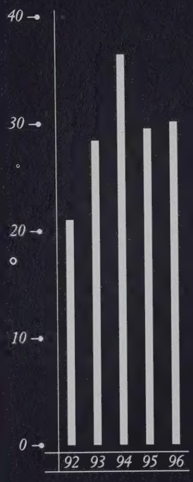
A major underground exploration program was completed in August 1996 at a total cost of $1.05 million, funded 50% by the provincial government. The program consisted of 2,780 feet of drifting and 21,458 feet of underground drilling.

In the promising Francoeur Shear Zone, west of the actual mining operation, follow-up definition drilling located 105,000 tons of proven and probable reserves grading 0.218 ounce of gold per ton.

Definition drilling also added 160,000 tons at a grade of 0.215 ounce of gold per ton to the proven and probable reserves. In the South Shear Zone in the eastern part of the current mining operation, 128,000 tons were added, while in the North Zone, 32,000 tons were identified close to mine workings near the No. 7 shaft. The East and North Zones remain open in several directions, and will be further defined by exploration in 1997.



Francoeur
Mine gold
production
(thousand ounces)



francoeur mine

Safety co-ordinator, Réal Benoit, explaining safety measures to miner Gilles Durand.

The Company is confident that the Francoeur deposit still contains an important quantity of gold that has yet to be proven up. There is an adage that "the best gold mines are not discovered, they are developed". We think that the Francoeur Mine fits this description, and will continue to do so for years to come.

A total of $800,000 will be invested in exploration in 1997, used for underground and surface drilling. In early spring, Richmont will begin a major 15,000-foot surface drilling program to verify an extension of mineralization from the South Zone.

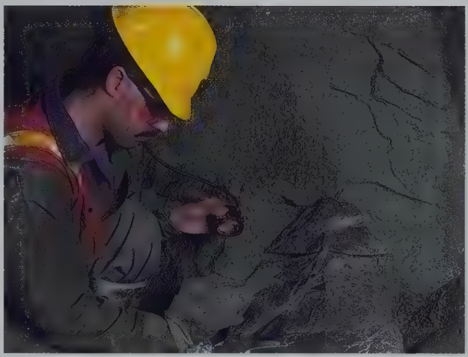
Human Resources

Richmont Mines remains focused on the safety of its employees. The Francoeur Mine had an excellent record in 1996. This was the first year it had no compensable accidents, proving that its employees are committed to maintaining a safe working environment. Four of the six work teams reached the level of 50,000 hours of work without an accident in 1996. This is an enviable achievement for a conventional mining operation, and was recognized by the safety committee of the Quebec Mining Association. Our mine rescue team displayed some of Richmont's capabilities, finishing second at a mining safety competition.

The Company recognizes the importance of proper training. Beyond the government's required training programs, Richmont collaborates with various associations to offer all its employees on-the-job training. The Company is not only investing in its own human resources, but also is developing tomorrow's mine workforce by establishing, with a local school board, a program called "Stope School".

This innovative program consists of furnishing an underground workplace for mining students during a 20-week practical course. It allows students to acquire invaluable experience in an operating mine.

On February 21, 1997, the Company renewed its collective agreement with unionized employees for a three-year period ending December 31, 1999. These negotiations were held in a cooperative atmosphere, demonstrating the good working relationships of all the Company's employees.



Mining technician, Richard Bernier, taking samples underground at the Francoeur Mine.

Other Properties Located Near the Francoeur Mine

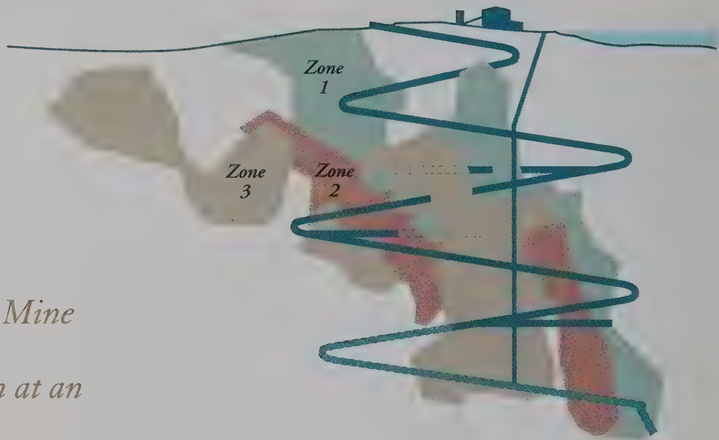
Richmont holds an important portfolio of properties (2,000 acres) along 6 miles of the Francoeur-Wasa Shear Zone. Exploration in the West Zone of the Francoeur Mine in 1996 showed mineralization extending toward Richmont's Arncoeur property, below level 15 as well as above level 11. The identification of this mineralization establishes the existence of a major "corridor" of mineralization on the west side of the actual mining site, which allows us to believe in the potential of the Arncoeur property.

Located less than 3 miles south of the Francoeur Mine, the Lac Fortune property contains mineable reserves of 247,000 tons at an average grade of 0.157 ounce of gold per ton. Richmont plans to invest $600,000 on exploration and development work on the property to further define the potential of this project. In 1996, the program was planned and the environmental permits were obtained, and work will begin on the property in the spring of 1997.

The nearby Wasamac property will be investigated by a $125,000 program of exploration drilling during 1997 and 1998. This property has an important geologic potential. In 1996, the final work of the $450,000 Wasamac tailings pond reclamation work was completed, complying with all government requirements.

Expert knowledge of the geology at the Francoeur Mine will allow Richmont's team to optimize its exploration methods on these promising properties, which are still at an early stage of examination.

nugget pond mine



In April 1997, the Nugget Pond Mine will start commercial production at an annual rate of 46,000 ounces of gold.

Construction of the Nugget Pond mill and facilities was completed at the end of February 1997.

The Nugget Pond property consists of 123 contiguous mining claims covering an area of 4,870 acres located on the Baie Verte Peninsula of Newfoundland. The property is easily accessible by a 3-mile road which connects the site to Highway 416 near the town of Snook's Arm.

Following an initial investment in May 1995 to acquire a 60% interest in Nugget Pond, Richmont purchased the remaining 40% interest in January 1996, to hold 100% of this project.

The deposit is hosted by a sedimentary rock sequence called the Nugget Pond Horizon. Surface expressions of this horizon appear along a strike length of 9 miles between the massive sulphide deposits of Betts Cove and Tilt Cove.

The deposit consists of three zones that are located near the middle of the sequence of sedimentary rock units. Gold is associated with pyrite mineralization within the zones.

Mineable reserves as at the end of December 1996 have been calculated to total 488,000 tons with an average grade of 0.357 ounce gold per ton. This includes the recent discovery of significant mineralization beyond the earlier limits of mineable reserves; the drill intercepts averaged 0.39 ounce gold per ton resulting in an overall increase in known reserves by 45,000 tons.

Development Work

Richmont formally approved construction of the mine in June 1996. Work to bring the Nugget Pond project closer to production continued throughout the year. Feasibility and environmental studies were approved by the Newfoundland government in August 1996.

By the end of the year almost all the surface facilities and infrastructure were completed. This included a 3-mile hydroelectric line, the completion of an upgraded access road to the site, the erection of a large shop/mine-dry building, three warehouse buildings, an office, and an environmental and assay laboratory. Equipment was set up to process the ore and extract the gold, the tailings pond and underground development is continuing. Construction was mostly complete by February 1997.

nugget pond mine

The Newfoundland Government's approval of the Nugget Pond Division as an EDGE Corporation, gives the Company a ten-year break from provincial taxes that strengthens the project's economics. Bank financing was arranged in 1996 for $12 million, which enabled the Company to develop the property without diluting shareholders' equity. When in production the operating cost of producing one ounce of gold is projected to be US$153, making Nugget Pond one of North America's lowest-cost gold producers.

Miners coming out of the Nugget Pond Mine access ramp.

An engineering firm carried out the detailed design work, procurement and construction management for the mill and related facilities, while the infrastructure and mine development programs were managed by Richmont's staff. This approach was successful in keeping the project on schedule and within budget.

Once in full production, the mining rate will be 400 tons per day. A cut-and-fill method will be used to extract ore in order to maximize the ore grade and reduce waste.

Test results have indicated that gold recoveries exceeding 97% can be achieved by treating the ore in a modern but conventional ore circuit. The on-site processing facility will crush, grind and leach the ore to produce gold bars using carbon-in-pulp (CIP) technology.

The capital required for the construction and mine development plan totalled $19 million.

Environment

Since the very start of the project, Richmont has always been concerned for the environment, with the aim of respecting all government regulations.

Tailings disposal and waste water control are the key environmental issues for the Nugget Pond project. All waste rock will be recycled underground as backfill. The approximately 440,000 tons of tailings solids that will be produced during the current projected mine life will be subjected to the INCO SO_2-air destruction process for cyanide destruction prior to being released to the tailings pond. The tailings will then be submerged, taking up only 15% of the pond volume.

The intention of the environmental program is to return the site and the watershed to its pre-development state. Reclamation activities should restore the site's natural capabilities.

In acknowledgment of these efforts the Company was released from the provincial environment assessment process, and was awarded environmental certificates of approval for the construction and operation of the mine. The Company maintains favourable interaction with the pertinent regulatory agencies.

Human Resources

During the construction and development stage of the mine over 90% of the workers have been from Newfoundland. When in full production, the mine is expected to have a workforce of 80 to 90 people. Recruitment of the Nugget Pond workforce was virtually complete by February 1997. The Baie Verte area is home to many qualified and experienced mining people. Richmont will draw on this talented pool of labour to work with the current staff, to achieve the Division's key objectives of safe, efficient production while maximizing the protection of the environment.

Development, Production and Exploration

Development ore began to be extracted in December 1996, and more than 88,000 tons at an expected grade of 0.37 ounce gold per ton will be mined in 1997. The mill is being tested and commissioned following the completion of construction, with milling starting in March 1997. Once in operation the mill will work continuously; gold recovery for the first year is expected to be over 96%. Total gold production for 1997 should be about 32,000 ounces, and 46,000 ounces annually thereafter.

September 1996 – View of the tailings pond, which complies with all environmental regulations.

Production from the known ore zones will continue for at least four years at the rate of 400 tons per day. Definition drilling will guide the mining to ensure the maximum recovery of ore and to determine possible extensions to ore zones. The exploration drilling planned for 1997 will seek to add new zones to ore reserves. Discovery beyond the limits of the original reserves, shows the great potential for extending the mine life of Nugget Pond.

Richmont intends to add to the known ore that will be processed at the mill in several ways: by increasing reserves on its own property through exploration, by acquiring other properties, by forming joint ventures with other propertyholders in the area and by custom milling ore for other mines.

camflo mill

Production at the Camflo Mill was at Richmont's projected rate in 1996. Throughput at the mill was 323,000 tons in comparison with 332,000 tons in the previous year, resulting in the mill running at 75% of capacity. Overall recoveries remained stable at 96.01%.

The Camflo Mill – a well maintained facility offering enviable gold recovery rates.

Of the 1996 ore, 163,000 tons came from Richmont's Francoeur Mine, which is expected to supply the same amount in 1997. The rest was custom ore of which 102,000 tons came from the newly opened Beaufor Mine and 58,000 tons was from other customers. Custom milling is expected to increase from 160,000 tons to 200,000 tons in 1997, so the mill will run at more than 80% capacity.

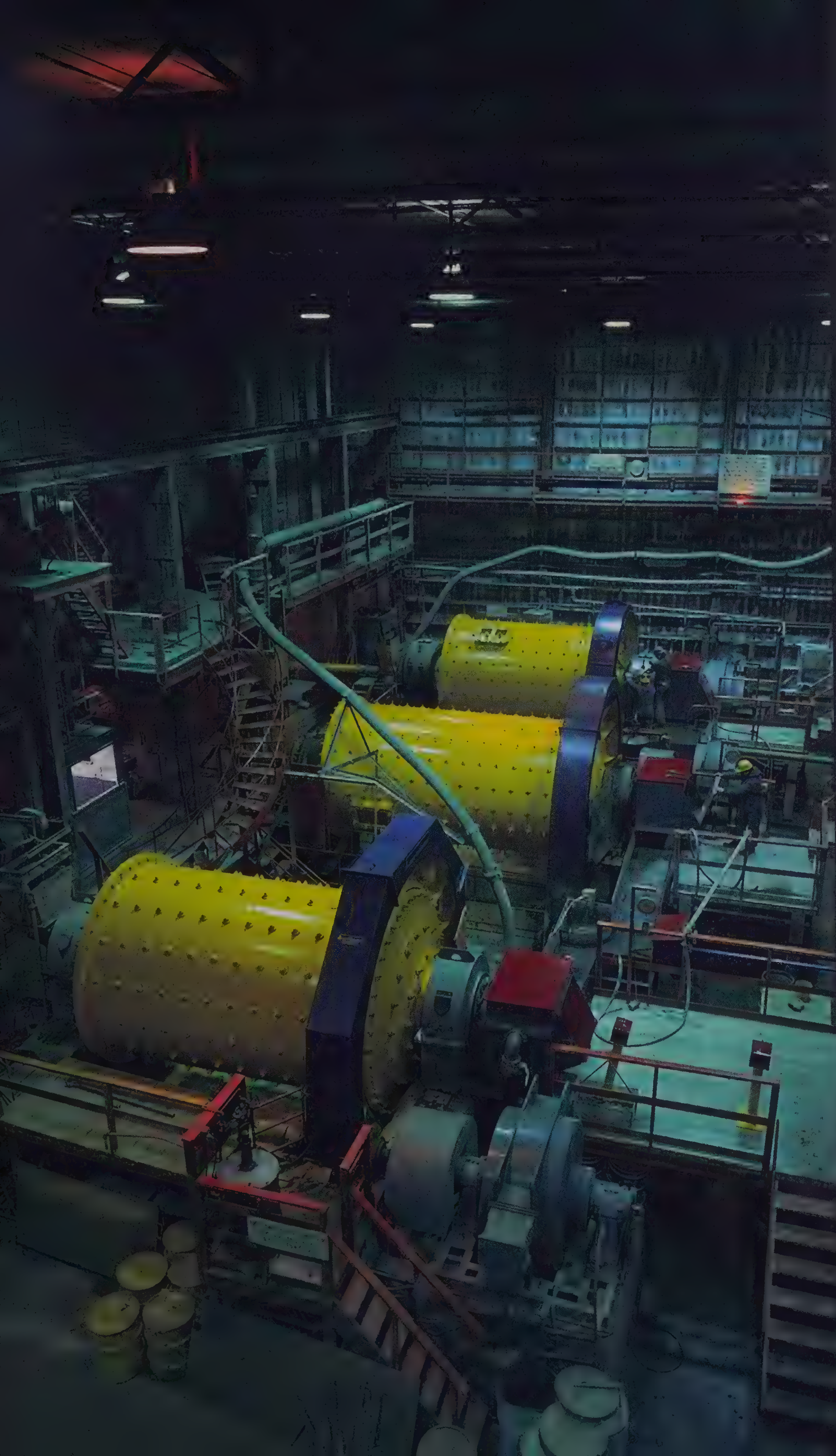
As the mill processes ore from multiple sources, operators have gained expertise in making ongoing adjustments to cope with different metallurgical characteristics and behaviour of the ores. Constant tests are made, particularly in the grinding and filtration areas. Excellent results are being rewarded by the loyalty of our customers. Camflo Mill is strategically located to receive ores from any part of the Abitibi region.

Timely preventive maintenance has allowed the mechanical availability of the mill to reach 97.2%, a figure well above industry standards.

Repairs and major improvements were made in order to maintain this experienced mill in good condition at all times. One of the ball mills was overhauled, the fire protection system was upgraded, and work continued on refurbishing floors and support structures. The maintenance and upgrading of equipment took place throughout the year without interfering with performance and customers' schedule requirements.

Improvements were made to the tailings ponds by renewing the decantation system. Environmental requirements continued to be met on a regular basis, and all control analysis complied with governmental standards. In March 1996, the reclamation program report was filed with the Quebec Department of Natural Resources in accordance with Bill 130.

Camflo Mill continues to be among the leaders in safety, with no lost time accidents during the year. In order to maintain this position, a formal loss control program involving all employees has been instituted. Regular inspections are carried out by the Safety and Health Committee to ensure that people work safely and equipment is well protected and maintained.



Camflo Mill
production
(thousand tons

louvem mines

January 3, 1996 was an important date for Louvem because its 50%-owned Beaufor Mine began commercial production and produced 25,000 ounces of gold in its first year.

Summer view of the Beaufor Mine, located near Val d'Or, Quebec

Richmont has an effective 18% interest in the mine, which is operated by Louvem's partner, Aurizon Mines Ltd. In its first year of operation, Beaufor mined 102,000 tons of ore, to produce 25,000 ounces of gold for a recovered grade of 0.245 ounce gold per ton. The Beaufor ore was treated at Richmont's Camflo Mill, where gold recovery attained an enviable 99.04% in 1996, comparable to 99.13% recovery for the 49,000 tons of development ore in 1995.

Redesigned mining plans have allowed the Beaufor Mine to considerably improve its average daily production, from 295 tons in the first quarter to 495 tons in the last quarter. This pace should continue in 1997 to result in an annual production of 35,000 ounces of gold, Louvem's portion being 17,500 ounces.

Richmont's 36% interest in Louvem Mines Inc. is starting to generate revenues. In fact, in its first year as a junior gold producer, Louvem has managed to generate a net income of $560,000 or $0.02 per share. This is quite an achievement in the mining industry, in which it is rare for juniors to be profitable in their first year of commercial production. Louvem contributed $181,000 to Richmont's earnings in 1996 compared with a loss of $342,000 in 1995.

At December 31, 1996, total proven and probable reserves at Beaufor stood at 846,800 tons with a grade of 0.227 ounce gold per ton. At the current extraction rate, the mine life will be at least six years. More than $1.1 million will be invested in 1997 for the development and underground exploration drilling of the Beaufor Mine, in order to find more reserves and extend the mine life.

Besides the Beaufor Mine, Louvem holds an important portfolio of gold properties in the Val d'Or mining region. No exploration work was done on these properties in 1996, but they remain important assets for the Company's future.

Beaufor Min
gold product
(thousand ounc

annual review: 1992 to 1996

Years ended December 31

	1996	1995	1994	1993	1992
Key financial data					
(thousands of Canadian dollars)					
Total revenue	**20,014**	20,191	20,643	13,919	8,975
Operating costs	**12,454**	12,675	12,189	8,628	5,442
Depreciation and depletion	**1,736**	1,967	1,255	616	415
Administrative expenses	**2,495**	2,296	2,389	1,448	1,042
Net earnings	**2,908**	2,871	4,401	3,206	2,002
Cash and equivalents from operating activities	**6,650**	3,745	6,405	4,133	2,368
Fixed assets	**33,787**	15,977	12,538	11,777	8,862
Acquisitions	**19,537**	5,416	2,016	3,336	3,857
Cash and short-term investments	**10,113**	10,199	12,059	11,032	1,853
Total assets	**55,383**	38,254	36,369	31,877	17,300
Working capital	**9,351**	12,985	14,383	13,116	3,286
Long-term debt	**7,538**	—	—	148	292
Shareholders' equity	**38,221**	32,739	30,505	26,246	13,611
Weighted average shares outstanding	**14,462**	14,447	13,776	11,960	11,840
Shares outstanding at year end	**14,695**	14,418	14,522	12,004	11,876
Key per share data					
(Canadian dollars)					
Earnings	**0.20**	0.20	0.32	0.27	0.17
Cash flow from operations	**0.46**	0.26	0.46	0.35	0.20
Key production data					
Production *(ounces of gold)*					
Francoeur Mine	**30,100**	29,471	36,404	28,384	21,016
Beaufor Mine *(Louvem's share)*	**12,500**	—	—	—	—
Proven & Probable reserves *(ounces of gold)*	**477,500**	418,000	269,000	198,500	171,500

	1996 Cdn $	1996 US $	1995 Cdn $	1995 US $	1994 Cdn $	1994 US $	1993 Cdn $	1993 US $	1992 Cdn $	1992 US $
Selling price per ounce	**543**	**398**	535	391	506	369	484	376	419	347
Market price per ounce	**529**	**388**	527	384	525	384	464	360	415	344
Operating cost per ounce										
Mine operating costs	**375**	**275**	374	273	358	262	361	280	309	256
Depreciation and depletion	**46**	**34**	58	42	29	21	20	16	20	17
Total cost	**421**	**309**	432	315	387	283	381	296	329	273
Profit margin	**122**	**89**	103	76	119	86	103	80	90	74
Number of employees	**147**		137		129		118		65	

management's discussion and analysis

In 1996, Richmont continued its prudent approach of building the foundation for positive growth while maintaining financial stability. Although the Company invested $18,700,000 in 1996, mainly in construction of the Nugget Pond Mine, working capital still stands at $9,351,000 compared with $12,985,000 the previous year. A $12 million credit facility consisting of a term loan in addition to a $2 million line of credit was established with a Canadian chartered bank to finance the construction of the mill and the development of the mine at Nugget Pond. This facility enabled the project to be brought to production while preserving the Company's working capital, cash flow, and share capital.

Richmont has achieved steady growth through acquisition, development and reserve replacement. At the end of 1996, the Company's proven and probable reserves contained 477,500 ounces of gold.

Since the beginning of commercial production in 1991, the Francoeur Mine has always replaced the mined reserves through exploration. At year-end 1996, the mine's proven and probable reserves were up 18% to stand at 1,062,000 tons at 0.195 ounce of gold per ton for 207,000 ounces of gold, compared with 880,000 tons at 0.199 ounce of gold per ton for 175,100 ounces at the end of 1995.

The Nugget Pond Mine, scheduled to begin commercial production on April 1, 1997, had proven and probable reserves of 488,000 tons grading 0.357 ounce of gold per ton, containing 174,200 ounces of gold at the end of 1996. The discovery of ore beyond the limits of the earlier mining plan indicate the potential to increase reserves in the future.

The Beaufor Mine (18% Richmont) had 192,600 ounces of contained gold in its proven and probable reserves of 846,800 tons grading 0.227 ounce gold per ton at the end of 1996. An exploration program in 1997 will attempt to find more reserves.

The Camflo Mill treats a steady flow of ore from the Francoeur and Beaufor mines and other custom milling clients. It is expected to treat more than 350,000 tons of ore in 1997.

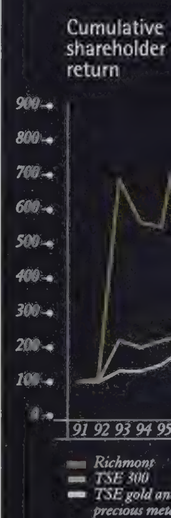
Richmont's overall revenues for 1996 remained stable at $20,014,000 compared with $20,191,000 last year. Net earnings were $2,908,000 or $0.20 per share compared with $2,871,000 or $0.20 per share in 1995.

In September 1996, the Company filed a 20F Registration with the Securities and Exchange Commission in the United States. The registration was accepted at the end of January 1997, after which the Company applied to have its shares listed on the American Stock Exchange. Richmont's shares began trading on AMEX on March 6, 1997.

Richmont had 147 employees at year end compared with 137 in 1995. In the first quarter of 1997, with the start-up of the Nugget Pond Mine, Richmont's workforce will increase to approximately 225. In addition there are 74 employees working at the Beaufor Mine.

Revenues

Richmont's profitability depends on the market price of gold and the costs of production. The Company has a certain control over the production costs, but none over the gold price. The proceeds from gold sales to either Canadian or US customers are received in US dollars. In order to protect itself against fluctuations in the price of gold and exchange rates, the Company has entered into various hedging contracts covering a maximum of 100,000 ounces over a period of 36 months, and a US$45 million currency exchange trading line with different institutions.



management's discussion and analysis

Revenues for the year totalled $20.01 million compared with $20.19 million in 1995. Gold revenues increased from $15.76 million to $16.27 million in 1996 representing an additional 3.2% revenue. The average price of gold realized was US$398 and US$391 per ounce for 1996 and 1995, respectively.

The Francoeur Mine produced a total of 30,084 ounces of gold in 1996 compared with 29,471 ounces the previous year. The 163,183 tons of ore milled in 1996 had a higher gold grade compared with the 169,630 tons milled the year before. The average recovered grade in 1996 was 0.1844 ounce of gold per ton.

Custom milling at the Camflo Mill has become increasingly important to the Company. The amount of custom milled ore increased from 80,000 tons in 1994 to 160,000 tons per year in 1995 and 1996, generating revenues of about $3.1 million each year. The Company believes that this amount of custom milling will continue in the future. The mill is centrally located, in proximity to a number of current gold projects.

Interest revenue in the year decreased to $0.7 million from $1.2 million in 1995, because the interest rate fell to an average of 4.21% in 1996 compared with 7.05% the previous year.

In January, production began at the Beaufor Mine resulting in Louvem posting a profit in 1996. Richmont's share in Louvem is accounted for on the equity basis. Louvem contributed $181,000 to the Company's earnings during the year, compared with a loss of $342,000 last year. The initial investment in Louvem totalled $2.2 million, and the market value of this participation remains the same as last year, amounting to $3.7 million.

The addition of gold production from the Nugget Pond Mine will double Richmont's revenues in 1997. The project has been granted Economic Diversification and Growth Enterprises (EDGE) status by the Government of Newfoundland and Labrador. The Company will benefit from a provincial tax remission for its first 10 years of operation.

Expenses

The Francoeur's gold production totalled 30,084 ounces in 1996. The cash production cost at US$275 per ounce in 1996 is unchanged from 1995; it is expected to be about the same in 1997 at Francoeur and US$153 per ounce at Nugget Pond, for an average cash cost per ounce for Richmont of US$210.

Slightly better ore grade at Francoeur resulted in higher gold production; operating cost per ounce was maintained at the same level. Total operating expenses of the Company amounted to $12.45 million in 1996 compared with $12.67 million in 1995, a 2% decrease.

Amortization and depletion for the year amounted to $1.74 million compared with $1.97 million in 1995. This decrease represents a $12 per ounce reduction in depletion. By maintaining ore reserves at the same level year after year and capitalizing exploration costs, the depletion cost per ounce is maintained each year.

Total administrative costs increased from $2.3 million in 1995 to $2.5 million in 1996. This increase was related to the expenses involved in registration with the Securities Exchange Commission, and the costs of the Vancouver office, which was closed in February 1997.

Pertaining to the financing agreement concluded in 1996, the $171,000 interest was capitalized in connection with construction in progress at Nugget Pond. The long-term debt bears interest at prime plus 1% (LIBOR plus 1.75%). The average rate of interest paid between September and December 1996 was 7.48%.

The total tax expenses in 1996 were $601,000 compared with $41,000 in 1995. This important difference was mainly the result of $410,000 in deferred income taxes in 1996. As well, $134,000 related to investment tax credits were taken in 1996. The remaining amount of $57,000 represents large corporation taxes, compared with $41,000 in 1995.

Cash flow

Operations

Cash flow from operations increased to $6.6 million or $0.46 per share from $3.7 million or $0.26 per share in 1995. This is mainly due to the net change in a non-cash working capital item affecting operation, of which the accounts payable increased by $2,000,000 in 1996 compared with 1995 due to the Nugget Pond construction.

Investments

During 1996, to establish a solid base for its future growth, Richmont applied $18.7 million to investment activities, compared with $5.5 million in 1995. Of the $19.5 million invested in fixed assets, $17.4 million was for the Nugget Pond Mine and mill construction, $1.7 million in the Francoeur Mine, and $0.4 million in the Camflo Mill. A long-term investment of $1.2 million related to restoration work at Camflo was cashed; the guarantee for future payment of the restoration is supported by a letter of credit. The Company also advanced $350,000 to a related company (Louvem Mines Inc.) for its working capital and short-term operations. Based on Louvem's budget, Richmont should be refunded all its advances in 1997 amounting to $1.1 million at the end of 1996.

The Company anticipates investing $8.8 million in 1997: $6.7 million in Nugget Pond to complete the construction and the start-up of the mill and the development of the mine and to purchase $1.2 million of underground equipment; $1.8 million in Francoeur for an exploration and development program; and $0.3 million in fixed assets at Camflo.

Richmont has submitted restoration plans for Francoeur, Camflo and Nugget Pond in compliance with provincial environmental laws. The total restoration costs, based on management's estimates, are evaluated at $3.5 million. After taking into account a disposal value for equipment, the net cost is estimated at $1.6 million. A provision of $1.5 million for site restoration costs is already accounted for on the balance sheet, and a fixed amount is posted as an expense each year on the portion to be paid upon the site closures.

Financing

Effective September 6, 1996, the Company entered into an agreement with a Canadian chartered bank for the establishment of a US$9 million (Cdn$12 million) term loan and a credit margin of Cdn$2 million for the construction of the Nugget Pond Mine. For the term loan, the Company signed a mortgage in favour of the bank including the Francoeur Mine, the Camflo Mill and the Nugget Pond Mine; for the credit margin, the Company mortgaged its accounts receivable and its inventories. The credit margin is at Canadian prime rate and can be used for current operations.

The term loan is at prime plus 1% or LIBOR plus 1.75%, with the Company also paying 0.5% on the unused portion of the loan balance. As of December 31, 1996, the Company had used US$7 million (Cdn$9,594,000) of the US$9 million term loan. The remaining US$2 million was drawn in January and February 1997. The repayment of the term loan is expected to begin in September 1997, and will consist of 12 consecutive quarterly payments of US$750,000. The Company can make any anticipated payment on a five-day notice without penalty as long as it is a minimum of US$1 million and if the cash is provided from operations or an equity financing.

For the purchase of the remaining 40% of Nugget Pond on January 9, 1996, 200,000 common shares amounting to $1 million were issued and another 200,000 shares for a value of $1.4 million will be issued on December 31, 1997. This purchase was accounted as a mining property acquisition. Thus, the Company received a total of $12,169,000 from financing activities compared with a utilization of $(637,000) in 1995 as a result of the share purchase program.

management's discussion and analysis

After net investments of $18.7 million during the year, Richmont had $11,768,000 in cash and equivalents as at December 31, 1996 compared with $11,631,000 the previous year, maintaining the Company's financial capability to act promptly on potential acquisitions.

Balance Sheet

The Company's total assets amounted to $55,383,000 at December 31, 1996 compared with $38,254,000 a year earlier, representing an increase of 45%.

The current assets slightly increased in 1996 to $15,078,000 from $14,752,000 the previous year.

Working capital at year end 1996 totalled $9,351,000 compared with $12,985,000 a year earlier. The reduction was due to the accounts payable and the current portion of the long-term debt, both related to the construction of Nugget Pond.

At December 31, 1996, fixed assets had more than doubled to $33,787,000 from $15,977,000 the year before, reflecting the investment made by Richmont in its Nugget Pond Mine. At the end of 1996, the Company had a long-term debt of $7,538,000 compared to nil in 1995. The long-term debt was incurred solely for the Nugget Pond project.

The increase in retained earnings on Richmont's balance sheet year after year shows that it is a consistently profitable Company. During 1996, the retained earnings increased by $2,908,000 to a total of $14,980,000 compared with a total of $12,072,000 at the end of 1995.

Hedging

In order to protect against the impact of variations in the price of gold and monetary exchange rates, the Company has a policy of hedging gold and US dollars received from gold sales. On a long-term basis, this strategy assures the future stability of the Company and a minimum level of profitability.

	1996 (Ounces)	1995 (Ounces)	1994 (Ounces)
Gold Hedging			
Spot sales	**6,084**	5,471	12,404
Hedging	**24,000**	24,000	24,000
Total sale	**30,084**	29,471	36,404
	(US$)	(US$)	(US$)
Average price obtained	**398**	391	369
Average gold price	**388**	384	384
Premium (discount) per ounce from hedging	**10**	7	(15)
US Dollar Hedging			
US dollars hedged	**18,000,000**	13,000,000	8,000,000
Average exchange rate	**1.3799**	1.3885	1.3670
Average spot rate	**1.3636**	1.3626	1.3735
Premium (discount) *(in Cdn$)*	**293,400**	336,200	(51,600)

In 1996, the strategy resulted in a premium of US$10 per ounce over the average market price; this premium is included in the average gold sale price of US$398 per ounce. In 1995, the strategy resulted in a premium of US$7 per ounce.

Total gold hedging at year end 1996 represented about 75% of the anticipated 1997 production. On December 31, 1996, a total of 72,000 ounces of gold was hedged at an average price of US$394 per ounce, and US$44 million was hedged at an average exchange rate of 1.3428. A year earlier, the Company had a total of 24,000 ounces of gold hedged and foreign exchange contracts totalling US$18 million. The Company intends to continue its hedging policy in the coming years. As at December 31, 1996, the market value of these financial instruments was $1,283,000.

Hedging position at the end of 1996

Gold	Ounces	Average price
1997		
Forward	30,000	US$391
Put – Call	15,000	US$395 to US$421
1998		
Forward	12,000	US$403
Put – Call	15,000	US$390 to US$440
US dollars	Amount	Average exchange rate
Forward		
1997	$24,000,000	1.3520
1998	$20,000,000	1.3327

Share Trading Information

The market value of Richmont shares was $5.80 at the end of 1996 for a total market capitalization of $85,209,000, compared with $3.60 or $52,279,000 as at December 31, 1995. This represents an increase of 63% in market value for the shareholders.

We believe that Richmont will achieve a similar increase in share value over the coming year. The Company listed its shares on AMEX at the beginning of 1997 to increase its visibility in the market.

	1996	1995	1994
Common Shares			
Outstanding	**14,695,259**	14,417,759	14,521,959
Fully diluted	**16,147,259**	15,826,459	14,916,959
Closing price	**$5.80**	$3.60	$3.80

management's discussion and analysis

	Quarter	Share Volume (000's)	High	Low	Close
Toronto Stock Exchange					
1996	**First**	**688**	**5.13**	**3.60**	**4.25**
	Second	**341**	**5.40**	**4.30**	**5.40**
	Third	**437**	**5.80**	**5.05**	**5.15**
	Fourth	**268**	**5.90**	**4.90**	**5.75**
1995	First	473	3.70	3.00	3.25
	Second	526	3.60	3.00	3.30
	Third	526	3.45	2.90	3.00
	Fourth	315	3.60	2.75	3.60
1994	First	1,096	5.50	4.35	5.25
	Second	314	5.75	4.25	4.30
	Third	264	4.75	4.00	4.40
	Fourth	591	4.30	3.50	3.70
Montreal Exchange					
1996	**First**	**1,120**	**5.13**	**3.50**	**4.35**
	Second	**585**	**5.30**	**4.25**	**5.30**
	Third	**499**	**6.00**	**5.05**	**5.20**
	Fourth	**347**	**5.90**	**4.75**	**5.80**
1995	First	188	3.70	3.00	3.25
	Second	210	3.60	3.00	3.30
	Third	372	3.45	2.90	3.00
	Fourth	1,162	3.60	2.75	3.50
1994	First	675	5.75	4.35	5.25
	Second	204	5.75	4.25	4.30
	Third	156	4.75	3.95	4.40
	Fourth	236	4.50	3.60	3.80

Outlook

Richmont has shown a profit every quarter since mining commenced in 1991, and will ensure that it continues to do so. Prudent financial management combined with skillful technical guidance have enabled the Company to expand by acquisition and development, and to replace reserves while maintaining profitability, minimizing debt and not diluting shareholders' equity.

Commercial production at Nugget Pond will commence in April 1997, on schedule and on budget. The addition of a gold mine with one of the lowest per-ounce costs (US$153) in North America, will ensure the Company's continued profitability for years to come.

The overall gold production of Richmont will double in 1997 to more than 80,000 ounces. Francoeur and Nugget Pond should produce close to 32,000 ounces each and Louvem's share in Beaufor should be 17,500 ounces, bringing Richmont's estimated earnings to $7,300,000 or $0.50 per share and the cash flow to $15,600,000 or $1.06 per share in 1997.

To ensure continued growth, Richmont is seeking and evaluating potential acquisitions in North and South America. Any new acquisition must be technically sound, capable of being developed at a reasonable cost and, most importantly, it must increase the Company's value.

In 1996, Richmont proved its ability to develop and build a mine successfully. Richmont is on track to become an intermediate gold producer before the beginning of the next century.

management's report

The accompanying consolidated financial statements have been prepared by Management in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimation and judgment of Management. The financial information presented elsewhere in the annual report is consistent with that in the consolidated financial statements. Richmont has developed and maintains a system of internal accounting controls in order to ensure, on a reasonable and cost-effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by KPMG, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

The audit committee and the external auditors meet semi-annually, with and without management, in order to review the financial statements and to discuss any questions related to internal control auditing matters. The majority of the audit committee are independent directors. Upon recommendation of the audit committee, the Board of Directors has approved the issuance of the financial statements of the Company.

Jean-Guy Rivard
President

Jean-Yves Laliberté
Vice President, Finance

auditors' report to the shareholders

We have audited the consolidated balance sheets of Richmont Mines Inc. as at December 31, 1996 and 1995 and the consolidated statements of earnings, retained earnings and cash flow for the three years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and 1995 and the results of its operations and the cash flow for the three years then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants
Rouyn-Noranda, Quebec
January 24, 1997

consolidated statements of earnings

Years ended December 31
(in Canadian dollars)

	1996 $	1995 $	1994 $
Revenues			
Precious metals	**16,270,782**	15,761,676	18,449,093
Milling	**3,085,672**	3,231,813	1,584,577
Interest	**657,408**	1,197,889	609,374
	20,013,862	20,191,378	20,643,044
Expenses			
Operating costs	**12,454,093**	12,675,490	12,189,226
Administrative costs	**2,495,468**	2,295,684	2,388,970
Depreciation and depletion	**1,736,002**	1,966,965	1,254,942
	16,685,563	16,938,139	15,833,138
	3,328,299	3,253,239	4,809,906
Share of the income (loss) in a related company	**180,762**	(341,704)	(299,961)
Earnings before taxes	**3,509,061**	2,911,535	4,509,945
Mining and income taxes *(note 12)*	**601,221**	40,782	108,770
Net earnings	**2,907,840**	2,870,753	4,401,175
Earnings per share	**0.20**	0.20	0.32
Weighted average number of common shares outstanding	**14,462,352**	14,446,902	13,776,334

consolidated statements of retained earnings

Years ended December 31
(in Canadian dollars)

	1996 $	1995 $	1994 $
Balance, beginning of year	**12,072,390**	9,586,782	5,206,618
Net earnings	**2,907,840**	2,870,753	4,401,175
	14,980,230	12,457,535	9,607,793
Redemption of shares *(note 7)*	—	(385,145)	(21,011)
Balance, end of year	**14,980,230**	12,072,390	9,586,782

See accompanying notes to consolidated financial statements.

consolidated balance sheets

December 31
(in Canadian dollars)

	1996 $	1995 $
Assets		
Current assets		
Cash	3,116,277	3,136,430
Short-term investments	6,996,446	7,062,228
Gold bullion	1,655,469	1,432,406
Accounts receivable	1,460,009	1,646,030
Advances to a related company	1,100,000	750,000
Inventories	703,784	680,036
Prepaid expenses	45,520	44,857
	15,077,505	14,751,987
Investments *(note 3)*	2,126,829	3,149,067
Fixed assets *(note 4)*	33,787,050	15,977,165
Deferred expenditures	4,391,354	4,375,706
	55,382,738	38,253,925
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	3,670,983	1,767,145
Current portion of long-term debt	2,055,900	—
	5,726,883	1,767,145
Long-term debt *(note 5)*	7,538,300	—
Provision for site restoration costs *(note 6)*	1,500,000	1,475,000
Deferred mining and income taxes	2,396,321	2,272,901
	17,161,504	5,515,046
Shareholders' equity		
Capital stock *(note 7)*		
Authorized:		
Unlimited number of common shares		
Issued and paid:		
December 31, 1996; 14,695,259 (1995; 14,417,759)	21,841,004	20,666,489
Capital stock to issue (200,000 common shares)	1,400,000	—
Retained earnings	14,980,230	12,072,390
	38,221,234	32,738,879
	55,382,738	38,253,925

See accompanying notes to consolidated financial statements.

On behalf of the Board

Jean-Guy Rivard
Director

Denis Arcand
Director

consolidated statements of cash flow

Years ended December 31
(in Canadian dollars)

	1996 $	1995 $	1994 $
Operations			
Net earnings	**2,907,840**	2,870,753	4,401,175
Non-cash items:			
Depreciation and depletion	**1,736,002**	1,966,965	1,254,942
Share of the loss (income) in a related company	**(180,762)**	341,704	299,961
Provision for spot deferred forward contract	**—**	—	149,212
Deferred mining and income taxes	**123,420**	(202,347)	(157,574)
	4,586,500	4,977,075	5,947,716
Net change in non-cash working capital items affecting operations	**2,063,834**	(1,232,467)	457,712
Cash and equivalents from operating activities	**6,650,334**	3,744,608	6,405,428
Investments			
Investments net	**1,220,515**	(356,731)	(2,234,001)
Reimbursements (advances) to a related company	**(350,000)**	250,000	(1,000,000)
Acquisition of fixed assets	**(19,536,788)**	(5,416,273)	(2,016,334)
Deferred expenditures	**(15,648)**	(642)	(16,247)
Cash and equivalents applied to investing activities	**(18,681,921)**	(5,523,646)	(5,266,582)
Financing			
Repayment of long-term debt	**—**	—	(295,165)
Long-term debt	**9,594,200**	—	—
Issue of common shares	**1,174,515**	86,222	21,420
Capital stock to issue	**1,400,000**	—	—
Issue expenses of shares	**—**	—	(129,532)
Redemption of common shares	**—**	(723,111)	(34,259)
Cash and equivalents from (applied to) financing activities	**12,168,715**	(636,889)	(437,536)
Increase (decrease) in cash and equivalents	**137,128**	(2,415,927)	701,310
Cash and equivalents, beginning	**11,631,064**	14,046,991	13,345,681
Cash and equivalents, ending *(note 8)*	**11,768,192**	11,631,064	14,046,991
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Taxation	**280,373**	243,129	266,344
Interest	**94,154**	—	—

See accompanying notes to consolidated financial statements.

notes to consolidated financial statements

Years ended December 31, 1996 and 1995 (Amounts in the tables are presented in Canadian dollars)

The Company, incorporated under Part 1A of the Quebec Companies Act, is engaged in mining, exploration and development of mining properties, principally gold.

1. Significant accounting policies

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada. As described in note 13, those principles differ in certain material respects from those principles that the Company would have followed had its consolidated financial statements been prepared in accordance with generally accepted accounting principles in the United States. The significant accounting policies followed by the Company are as follows:

Basis of consolidation
The consolidated financial statements include the accounts of the Company and those of its wholly owned subsidiary, Camflo Mill Inc.

Revenue recognition
Precious metals revenue, based upon spot metal prices or forward sales contracts, is recorded when gold bullion is produced. Revenue may be subject to adjustment on final settlement to reflect changes in metal market prices.

Gold bullion
Gold bullion is valued at estimated net realizable value.

Inventories
Stockpiled ore is valued at the lower of average cost and net realizable value.
Supplies are valued at the lower of average cost and replacement cost.

Investments
Short-term investments are recorded at cost which is equivalent to market value. It comprises short-term highly liquid investments.

Investments in shares of related companies, over which Richmont Mines Inc. has the ability to exercise significant influence, are accounted for by the equity method.

Fixed assets and deferred expenditures
Direct exploration and development costs are deferred until a decision is made to bring an ore body into production or it is determined that a property is not economically viable. When a project is abandoned, the related costs are charged against current earnings. Deferred costs are reduced by related ore development revenue and subsidies.

When a project is brought into commercial production it is transferred to fixed assets and is depleted on the units of production method. Depreciation of buildings and related equipment is calculated using the straight-line method based on their anticipated useful life, which are 10 and 5 years, respectively.

Construction in progress includes interest on funds borrowed. These costs are capitalized until the end of the construction period. Upon commencement of commercial production, construction costs are transferred to the various category of buildings and equipment and will be amortized on the same basis as fixed assets.

Mining properties and deferred expenditures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future cash flows expected to result from the use of the properties and their eventual disposition are less than the carrying amount, then these properties are written down to their estimated recoverable amount determined on a non-discounted basis.

Site restoration costs
Estimated future restoration costs relating to the Company's operations are charged against earnings over the economic life of the property.

Deferred mining and income taxes
Deferred mining and income taxes result from differences in the timing of recognition of transactions for tax and financial statement purposes.

1. Significant accounting policies (continued)

Foreign currency translation

Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Items pertaining to the statement of earnings are translated at the rate of exchange prevailing at the date of the transaction. The gains or losses resulting from the translation are recorded in net earnings.

Hedging activities

Gains and losses on futures contracts and other instruments that effectively establish prices for future production are not recognized in income until reflected in sales revenue when the related production is delivered.

Earnings per share

Earnings per share have been calculated using the weighted average number of outstanding shares during the year.

2. Acquisition of Nugget Pond property

Agreement of January 9, 1996

On January 9, 1996, the Company acquired the remaining interest in the Nugget Pond property. Richmont now holds 100% interest of this project.

Richmont paid $600,000 upon execution of the agreement, and paid $1,000,000 on June 30, 1996. Also, 200,000 Richmont common shares were issued on December 31, 1996 and an additional 200,000 Richmont common shares will be issued on December 31, 1997. If the market price of the Richmont shares is less than $7.00 each at the December 31, 1997 issuance, Richmont will pay the difference. Richmont will also pay a royalty of $1.50 for every tonne of ore processed at a mill on the property, up to 100,000 tonnes per year for 20 years.

3. Long-term investments

	1996 $	1995 $
9,462,071 common shares of Louvem Mines Inc., representing 36% of voting shares, on equity basis (Market value of $3,690,208 on December 31, 1996; $3,690,208, December 31, 1995)	**2,101,829**	1,921,067
Treasury bills	—	1,200,000
Other investments, at cost	**25,000**	28,000
	2,126,829	3,149,067

4. Fixed assets

	1996 Cost $	1996 Accumulated depreciation and depletion $	1996 Net book value $	1995 Cost $	1995 Accumulated depreciation and depletion $	1995 Net book value $
Mining properties and development costs	**8,293,845**	**2,603,473**	**5,690,372**	6,961,632	1,926,175	5,035,457
Buildings	**4,152,119**	**1,512,411**	**2,639,708**	3,826,457	1,169,177	2,657,280
Equipment	**7,180,768**	**3,108,029**	**4,072,739**	6,751,573	2,467,303	4,284,270
Nugget Pond Project under construction and development	**21,384,231**	—	**21,384,231**	4,000,158	—	4,000,158
	41,010,963	**7,223,913**	**33,787,050**	21,539,820	5,562,655	15,977,165

Government assistance

The Company and the Quebec Ministry of Natural Resources reached an agreement whereby the Ministry funded 50% of an exploration program totalling approximately $1,000,000 at the Francoeur Mine. The underground exploration program commenced April 15, 1995 and finished August 31, 1996. On December 31, 1996, a subsidy amounting to $495,000 is recorded against the cost of fixed assets (1995; $308,700).

4. Fixed assets (continued)

Capitalized interest

Construction in progress at December 31, 1996 includes interest of $171,714 which was capitalized during the year.

EDGE program

Pursuant to its investments on the Nugget Pond property the Company has been granted Economic Diversification and Growth Enterprises (EDGE) status by the Government of Newfoundland and Labrador. The Company will benefit from a provincial tax remission for its first 10 years and subsidy for permanent job creation.

5. Long-term debt

	1996 $	1995 $
Term secured loan (US$7,000,000) bearing interest at 1% over the prime rate or LIBOR plus 1.75% which during 1996 averaged 7.48%, principal payable in quarterly instalments of $1,027,950 (US$750,000) commencing 90 days after the beginning of the commercial production of the Nugget Pond property but not later than September 30, 1997.	**9,594,200**	—
Current portion	**2,055,900**	—
	7,538,300	—

The Company has also an available line of credit as at December 31, 1996, of $2,000,000. The line of credit as well as the long-term debt is secured by all the Corporation's assets.

Instalments to be paid over the next 3 years are as follows: 1997, $2,055,900 (US$1,500,000); 1998, $4,111,800 (US$3,000,000) and 1999, $3,426,500 (US$2,500,000).

6. Provision for site restoration costs

The Company's mining and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect the public health and the environment.

As at December 31, 1996, the Company has a $1,500,000 (1995; $1,475,000) provision to cover known site restoration costs based on management's estimate of such costs. Such estimates are, however, subject to change based on modifications to laws and regulations or as new information becomes available.

7. Capital stock

Authorized: Unlimited number of common shares, no par value

	1996		1995		1994	
	Number of shares	**Amount $**	Number of shares	Amount $	Number of shares	Amount $
Issued and paid: common shares						
Balance, beginning of year	**14,417,759**	**20,666,489**	14,521,959	20,918,233	12,004,159	11,685,082
Issue of shares (a)	**200,000**	**1,000,000**	—	—	2,500,000	9,224,979
Redemption of shares (b)	—	—	(234,700)	(337,966)	(9,200)	(13,248)
Exercise of options (c)	**77,500**	**174,515**	130,500	86,222	27,000	21,420
Balance, end of year	**14,695,259**	**21,841,004**	14,417,759	20,666,489	14,521,959	20,918,233

7. Capital stock (continued)

(a) Issue of shares

Pursuant to the agreement signed on January 9, 1996 (note 2), the Company issued 200,000 common shares on December 31, 1996. The Company has reserved 200,000 common shares to be issued on December 31, 1997.

Richmont Mines Inc. issued in 1993, pursuant to a private placement 2,500,000 special warrants of the Company at a subscription price of $4 per special warrant for a total amount of $10,000,000. Each special warrant entitled the holder to subscribe to one common share of the Company, without additional consideration. On April 18, 1994, the Company obtained a receipt for a final prospectus qualifying the common shares that may be issued upon the exercise of the special warrants. Consequently, 2,500,000 common shares were issued at this date.

(b) Redemption of shares

During 1995, the Company redeemed 234,700 common shares (1994; 9,200) for $723,111 cash (1994; $34,259). This transaction has reduced retained earnings by $385,145 (1994; $21,011).

(c) Common share purchase options

Share purchase options on 1,252,000 common shares granted to directors, officers and full-time employees were outstanding as at December 31, 1996, and exercisable at prices varying from $3.00 to $5.42 per share for periods up to September 2001.

8. Cash and equivalents

	1996	1995	1994
	$	$	$
Cash	**3,116,277**	3,136,430	4,046,782
Short-term investments	**6,996,446**	7,062,228	8,012,685
Gold bullion	**1,655,469**	1,432,406	1,987,524
	11,768,192	11,631,064	14,046,991

9. Commitments

When the Nugget Pond property is brought into commercial production, the Company must pay a royalty equal to 2% of the ounces of gold produced on the property.

The Company would also be subject to pay royalties if some of its other properties are brought into commercial production.

The Company is contingently liable in connection with a letter of credit for $1,200,000 given as a security for the site restoration.

10. Related party transactions

The Company is related to Louvem Mines Inc., over which it has the ability to exercise significant influence on the operations.

Related party transactions are as follows:

	1996	1995	1994
	$	$	$
Revenues			
Milling from the Beaufor project (50%)	**967,419**	465,595	328,130
Interest and other	**191,612**	126,529	60,230
Salaries and fringe benefits	**205,209**	135,774	73,000

These operations are conducted on the same basis as transactions with non-related parties. The advances to Louvem are a non-secured demand loan and bear interest at prime rate plus 2%.

11. Financial instruments and risk management

The nature of the Company's operations as well as the long-term debt in US dollars expose the Company to fluctuations in foreign currency exchange rates and commodity prices. The Company manages its exposure to these risks through the use of derivative financial instruments and commodity contracts.

The Board of Directors approves all policies concerning the use of derivative financial instruments and commodity contracts. The Company does not hold any financial instruments or derivative financial instruments for trading purposes.

Foreign exchange risk management

The Company realizes a significant portion of its revenues in US currency and enters into various types of foreign exchange contracts in managing its foreign exchange risk.

Forward exchange contract

	1996		1995	
	Fair value $	**Notional amount $**	Fair value $	Notional amount $
US dollar maturing in 1997, average rate of 1.3523 (1995, 1.3723)	**(273,630)**	**26,000,000**	77,300	7,000,000
US dollar maturing in 1998, average rate of 1.3318	**66,905**	**20,000,000**		
US dollar maturing in 1996, average rate of 1.3885			(151,600)	11,000,000

Commodity price risk management

For its gold production, the Company reduces its price risk through the use of forward sales contracts and put and call options, which provide a combination of minimum and maximum prices.

As at December 31, 1996, under forward sales and options, the Company hedged a total of 72,000 ounces of gold for 1997 and 1998. The average price for forward contracts on 42,000 ounces of gold is US$395. The price for 30,000 ounces of gold under put and call options ranges from US$390 to US$451.

The fair value of the Company's off-balance sheet financial instruments is based on the notional gain or loss accrued using the market prices on the reporting date and at December 31, 1996 was approximately $1,490,000 (1995, $1,000) for the forward sale contracts and put and call options.

Interest rate risk management

The Company's exposure to interest risk at December 31, 1996, relates to its short-term investments and its long-term debt. The Company's short-term investments have a fixed weighted average yield rate of 3.02%. The carrying amount of short-term investments and long-term debt approximate fair value at December 31, 1996.

Credit risk management

Financial instruments which subject the Company to market risk and concentrations of credit risk consist primarily of cash, short-term investments and accounts receivable, forward contracts and option contracts for currencies and gold. The Company places its cash and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings. The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its currency and metal forward and option contracts. The Company does not obtain any security to support financial instruments subject to credit risk but mitigates this risk by dealing only with a diverse group of financially sound counterparties and, accordingly, does not anticipate loss for non-performance. The Company continually monitors the market risk of its hedging activities.

12. Income taxes and mining taxes

The provision for income and mining taxes differs from the amount that would have resulted from applying federal and provincial statutory income tax rates of 37.74% (1995, 37.74%; 1994, 37.74%) to earnings and the Quebec mining duty statutory rate of 12% (1995, 12%; 1994, 14.17%) to applicable earnings.

	1996 $	1995 $	1994 $
Earnings before income taxes	**3,509,061**	2,911,535	4,509,945
Resource allowance	**(901,172)**	(794,775)	(1,446,761)
(Income) loss from a subsidiary not recognized for tax purposes	**—**	(756,617)	160,602
Depreciation not deductible on purchase price allocation	**145,828**	145,828	137,488
Share of the loss (income) in a related company	**(180,762)**	341,704	299,961
Utilization of losses carried forward	**(1,992,109)**	(1,881,702)	(3,668,593)
Others	**22,927**	34,027	7,358
Earnings for which income tax provision is required	**603,773**	—	—
Income taxes	**227,864**	—	—
Large corporations tax	**69,920**	40,782	108,770
Quebec mining duties	**303,437**	—	—
Total income and mining tax provision	**601,221**	40,782	108,770
Current income and mining taxes	**477,801**	243,129	266,344
Deferred income and mining taxes	**123,420**	(202,347)	(157,574)
Total income and mining tax provision	**601,221**	40,782	108,770

13. The effect of applying United States generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

The effect of applying United States generally accepted accounting principles ("US GAAP") on net earnings is as follows:

	1996 $	1995 $	1994 $
Net earnings for the year, as reported	**2,907,840**	2,870,753	4,401,175
Add (deduct):			
Additional depreciation due to adoption of asset and liability method of income tax accounting [(a)]	**(26,786)**	(26,786)	(25,254)
Differences in deferred income and mining taxes due to adoption of asset and liability method of income tax accounting [(a)]	**(358,569)**	(1,483,804)	(1,396,397)
Differences in accounting for forward sales of foreign exchange [(b)]	**(601,754)**	255,000	(128,316)
Differences in accounting for depletion method [(c)]	**—**	—	(262,906)
Net earnings for the year, US GAAP	**1,920,731**	1,615,163	2,588,302
Earnings per common share, US GAAP	**0.13**	0.11	0.19

13. The effect of applying United States generally accepted accounting principles (continued)

(a) United States accounting standards for income taxes are set forth in SFAS No. 109. FAS 109 changes the Company's method of accounting for income taxes from the deferred method, as recorded under Canadian accounting principles, to an asset and liability method. Under the asset and liability method of FAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. In addition, FAS 109 requires that deferred taxes be recorded with respect to purchase price differences that arise on consolidation, while under Canadian accounting principles these differences are considered permanent in nature and thus not tax effected.

The effect of the application of FAS 109 on the balance sheet of the Company as at December 31, 1996 would be to increase fixed assets by $167,425 (1995 - $194,211) non-current deferred tax assets by $708,537 (1995 - $826,448) after recording a valuation allowance of $176,346 (1995 - $181,623), decrease the provision for site restoration costs by $518,925 (1995 - $518,925), increase non-current deferred income and mining tax liabilities by $4,222,392 (1995 - $3,981,734), and decrease shareholders' equity by $2,827,505 (1995 - $2,442,150).

Entire difference seems to be FAS 109

(b) United States accounting standards prohibit the classification of forward foreign exchange contracts as hedging instruments unless they are matched against specific contracted receipts or obligations of a foreign currency. The Company hedges its exposure to fluctuations to the US dollar in excess of its contracted receipts under its gold forward sales. The fair value of this excess is taken to income under US GAAP.

(c) United States accounting standards are more restrictive than Canadian standards with respect to ore reserves considered in the calculation of depletion. For 1994 this results in a different depletion calculation. For 1995 and subsequent the Company's depletion calculation under Canadian accounting standards is consistent with United States accounting principles.

(d) The definition of cash and equivalents under US GAAP does not include gold bullion or short-term investments with an initial term of greater than 90 days. This would have the following effect on the consolidated statements of changes in financial position:

	1996 $	1995 $	1994 $
Cash and equivalents, US GAAP, beginning of year	**4,198,658**	5,046,782	1,651,550
Changes in cash due to US GAAP			
Operating activities on a Canadian basis	**6,650,334**	3,744,608	6,405,428
Decrease (increase) in gold bullion	**(223,063)**	555,118	326,220
Operating activities cash flow, US GAAP	**6,427,271**	4,299,726	6,731,648
Investing activities on a Canadian basis	**(18,681,921)**	(5,523,646)	(5,266,582)
Decrease (increase) in short-term investments	**6,000,000**	1,012,685	2,367,702
Acquisition satisfied through share issue	**2,400,000**	—	—
Investing activities cash flow, US GAAP	**(10,281,921)**	(4,510,961)	(2,898,880)
Financing activities on a Canadian basis	**12,168,715**	(636,889)	(437,536)
Acquisition satisfied through share issue	**(2,400,000)**	—	—
Financing activities cash flow, US GAAP	**9,768,715**	(636,889)	(437,536)
Cash and equivalents, US GAAP, end of year	**10,112,723**	4,198,658	5,046,782

14. Comparative figures

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

corporate information

Board of Directors

Jean-Guy Rivard * ▲
President
Richmont Mines Inc.

Denis Arcand * ▲
Vice President
Director of Companies

André Y. Fortier, Lawyer * ▲
Director
President, MSV Resources Inc.

Réjean Houle
Director
General Manager,
Montreal Canadiens

Jean Depatie, B.A., M.Sc., Geol.
Director
President, Cambiex Exploration Inc.

Gilles Loiselle, PC
Director
Counsellor to the President & CEO,
Power Corporation of Canada

* *Audit Committee*
▲ *Compensation Committee*

Officers

Jean-Guy Rivard
President and Chief Executive Officer

Clermont Pageau, P.Eng.
Vice President, Operations

Jean-Yves Laliberté, CA
Vice President, Finance

Line Plante, CA
Controller

Henri Lanctôt, Lawyer
Secretary

Operations

Francoeur Division

André de Guise, P.Eng.
Manager

Jacques Daigneault, B.Sc. Geol.
Chief Geologist

François Girard, P.Eng.
Chief Engineer

Laurent Chevalier
Chief Accountant

Gaétan Lemaire
Mine Superintendent

Réal Benoit
Safety & Human Resources Co-ordinator

Nugget Pond Division

J. Steven McAlpine
Manager

Allan Cramm
Mine Superintendent

Barry Hummer
Mill Superintendent

Gary Burgess
Chief Accountant

Kevin Regular, B.Sc. Geol.
Senior Geologist

Milton Noel
Safety & Human Resources Co-ordinator

Camflo Mill

Oscar Lafrance
Manager

Réal Lafrenière
Chief Accountant

general information

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Transfer Agent and Registrar

Montreal Trust Company
Montreal, Quebec

Co-Transfer Agent and Co-Registrar in the United States

The Bank of Nova Scotia Trust Company of New York, New York, N.Y.

Auditors

KPMG

Listings (RIC)

Montreal Exchange (ME)
Toronto Stock Exchange (TSE)
American Stock Exchange (AMEX)

Internet Access

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Annual Meeting

The Annual General Meeting of the Shareholders will be held at 11:00 a.m. on Thursday May 22, 1997 at the Queen Elizabeth Hotel in the Matapedia Room, 900 René-Lévesque Boulevard West, Montreal, Quebec.

Un exemplaire français du présent rapport annuel est disponible sur demande en s'adressant au siège social.

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